

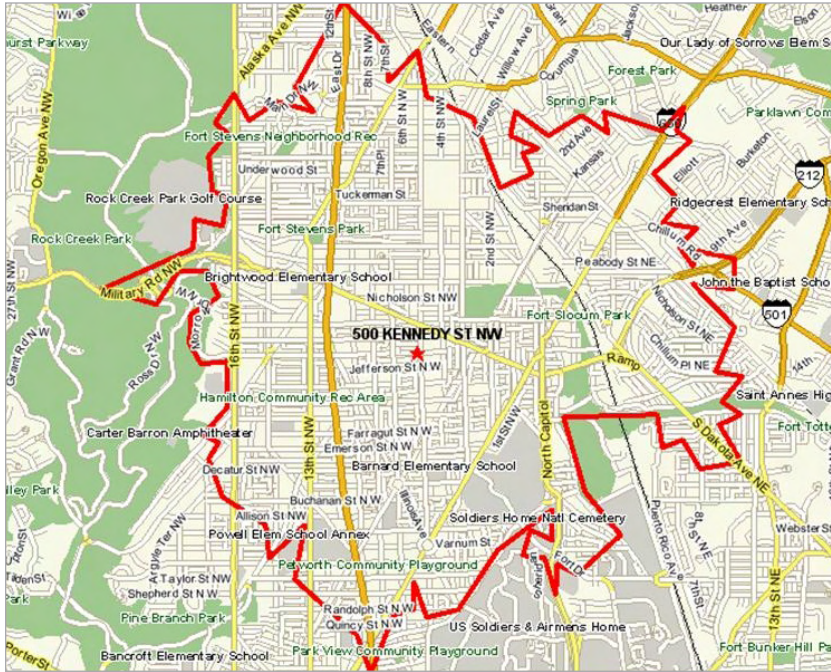
4. MARKET ASSESSMENT



This chapter reviews Kennedy Street's current economic conditions within the context of its market setting and its current retail profile. It analyzes the corridor's potential to support additional retail that broadens, without displacing, the existing retail mix.

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Map showing the areas around Kennedy Street that are within a five-minute drive time.

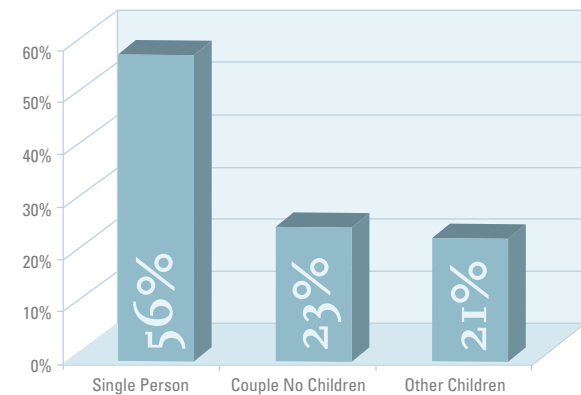
Demographics

As with any retail or mixed-use corridor, an analysis of Kennedy Street from a market perspective begins by noting that demand for retail space is a function of (1) household spending potential in a given trade area; (2) a site's location (adjacent land use character, access and visibility); and (3) the location and quality of retail in competitive locations.

typically willing to drive five to ten minutes for food and sundry items. (A five-minute drive time is equivalent to approximately one-and-a-half to two miles in an urban area, depending on traffic and other conditions.) In cities, drive times tend to be shorter for convenience goods as compared to suburban areas. Investors will initially investigate the five-minute drive time to test a given location from a demographic standpoint.

Throughout the planning process the community emphasized the need for neighborhood-focused retail that would provide an increasingly diverse set of options for those who live on or near the corridor. At the same time, and in order to attract the additional retail desired by the community, it's important to provide a profile of what is called the corridor's *trade area*. This label is an industry standard that is used to measure the overall market size for convenience-related retail. Households are

As will be described in the following chapter on the public process, and as emphasized in the Plan's recommendations, the community focused on Kennedy Street's revitalization as a neighborhood corridor whose retail would attract nearby residents. Nevertheless, to understand the character of the market from an investor's perspective, it is a standard practice to review the demographics of the geographic area within 5-minutes from the subject site. For this reason, the characteristics of the people residing within 5-minutes of Kennedy Street have been analyzed for market purposes



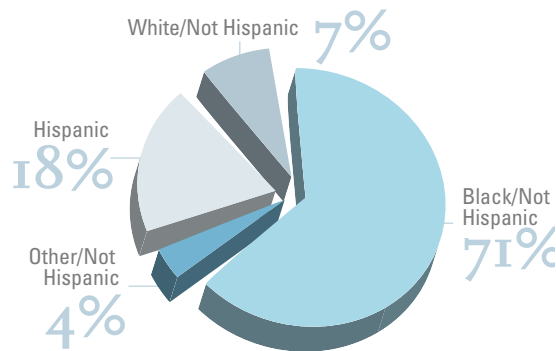
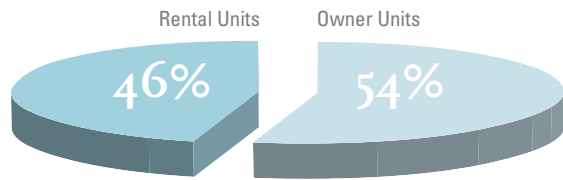
- There are 23,140 households within a five-minute drive of Kennedy Street; similarly, one-tenth of the District's households reside within a ten-minute drive of Kennedy Street. Within the last six years, there has been a slight decrease in the number of households (since 2000). Regardless of this slight shrinkage,

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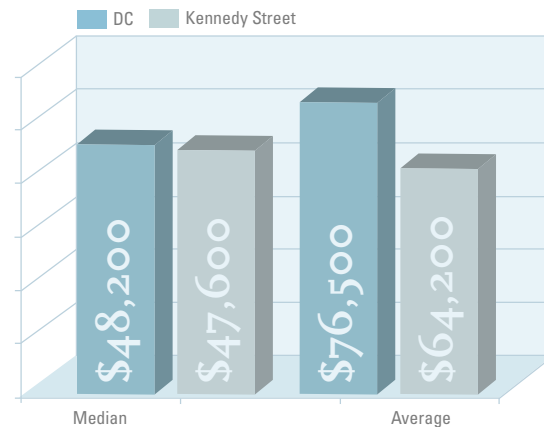
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Kennedy Street is in the center of a densely developed area.

- Almost 80 percent of the households within a five-minute drive time to Kennedy Street are households without children living at home.
- Over half the households within a five-minute drive time of Kennedy Street own their housing unit.



- Over 70 percent of the households within the five-minute drive time area are black/African American.
- The average income among households within the five-minute trade area is \$64,200. The median income is \$47,600, consistent with the District's median income. Average income



grew by 20 percent between 2000 and 2006 both in the District and within the five-minute drive time area.

Current Conditions

LOCATION

The Kennedy Street Study Area, running from North Capitol Street to Georgia Avenue, is bifurcated as a result of the intersection with Missouri

and Kansas Avenues. It is very difficult to negotiate this intersection either by car or by foot.

On an average day, 7,200 vehicles travel on Kennedy Street. While having relatively easy access via a series of major arteries, including N. Capitol, Georgia, Missouri, and Kansas, the traffic flow is nevertheless manageable and does not have a negative impact on the corridor's fundamental neighborhood-centric ambiance. At the same time, it is important to note that at rush hour, traffic can periodically be backed up, causing jams on Georgia. With the exception of Georgia Avenue and its primary commercial profile, Kennedy Street is surrounded by relatively stable, residential neighborhoods.

EXISTING STOREFRONTS

Kennedy Street contains a broad range of retail and service establishments between Capitol Street and Georgia Avenue. Emory Beacon of Light, a faith based, non-profit community outreach organization serving Georgia Avenue and environs, conducted a store survey on the 500 to 800 blocks of Kennedy Street. Among these blocks alone were approximately 20 retail establishments and 14 personal service (barbers and salons) and business service (tax preparers and check cashing) establishments. These establishments likely amount to approximately 35,000 square feet of retail and service space.

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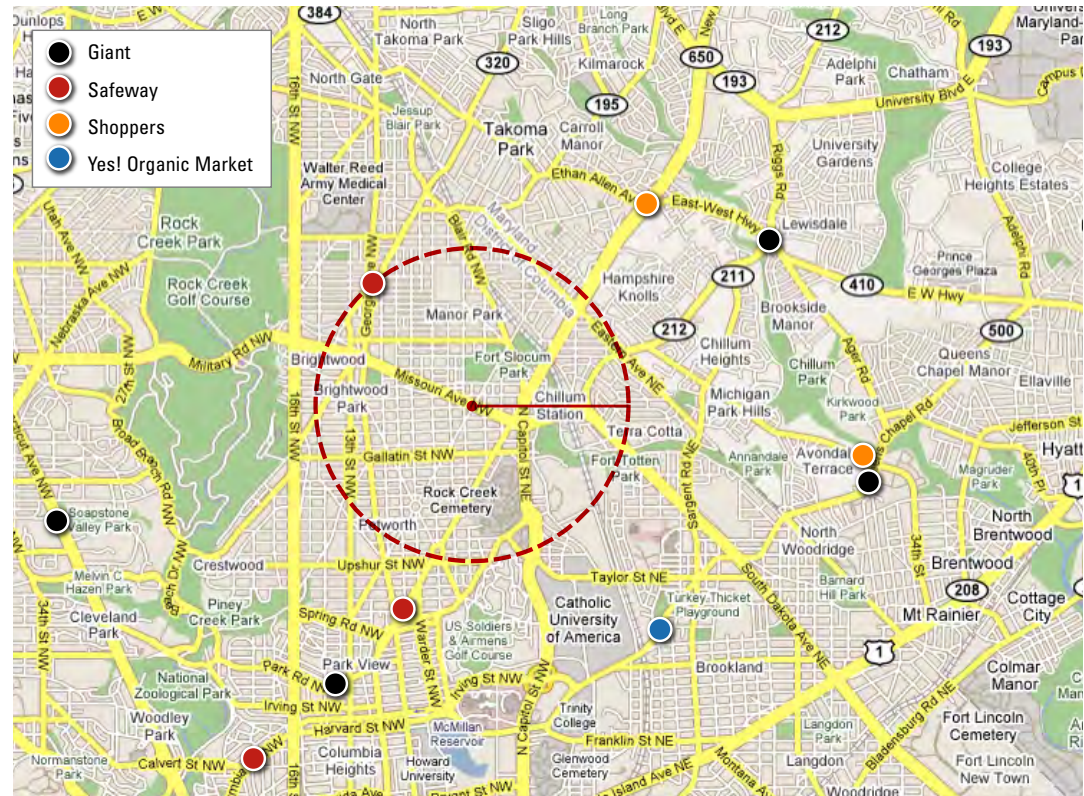
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East of 5th Street there is additional retail, most notably a CVS pharmacy. Retail and service space on these blocks is similar to the 500 to 800 blocks with small retailers and service establishments. In all, this portion of Kennedy Street has an estimated additional 20,000 square feet of retail and service space.

Overall, there are opportunities to enhance not only the quality of the built environment but the range of retail offerings within that environment. There already exist neighborhood-serving facilities ranging from small new eating establishments to a florist that has been one of the corridor's mainstays for many years. At the same time, and with 10,000 households, strong incomes, a 60% home ownership rate, and a well-educated population, there are opportunities for additional retail services such as a newspaper stand, a sit-down coffee shop, a general gift shop, etc.

COMPETITIVE SHOPPING CENTERS

In addition to a lack of community-oriented shopping centers along Kennedy Street or within a fifteen minute walk, there are relatively few such shopping opportunities even within a five-minute drive time. The adjacent map illustrates the location of supermarkets serving the Kennedy Street market. As can be seen, there is one supermarket within one mile of the corridor, a



Safeway on Georgia Avenue. There are two Safeway grocery stores within a five-minute drive of Kennedy Street and two other supermarkets just beyond a five-minute drive.

The two most prominent shopping centers serving Kennedy Street residents include: 1) Georgia Avenue, which contains a mix of neighborhood-oriented retail, with a variety of shoppers' goods,

convenience stores, and eating and drinking establishments in Downtown Silver Spring; and 2) the community of Takoma Park, which features a variety of neighborhood and community shopping centers within a five-minute drive time to Kennedy Street.

Development Potential

Given the existing supply of competitive shopping centers and Kennedy Street's location, including its proximity to Silver Spring, the corridor will not successfully compete for credit shoppers' goods stores such as the Gap, Ann Taylor, etc. In addition, Kennedy Street does not have the physical capacity to accommodate a critical mass of these types of stores without significant demolition.

With proper marketing and street management, however, there may be an opportunity for Kennedy Street to leverage its regional access and Main Street ambiance to attract small independent, specialty retailers. As the nearby charts indicate, there is certainly sufficient buying power within a five-minute drive time (and beyond) to support such retailers. A cluster of stores with a similar market orientation (for example, arts, vegetarian cuisine, ethnic apparel, etc.) could be effective in this marketplace.

Kennedy Street already functions as a neighborhood center. Given its ideal location, there is an opportunity to bolster the tenant mix along the corridor to better fulfill its role.

As noted earlier, within a five-minute drive time of Kennedy Street there are over 23,000 households with a median income of \$47,650. Within

a one-minute drive time, or fifteen-minute walk, of Kennedy Street there are over 10,000 households with a median income of approximately \$48,900. This density alone can support a concentration of retail and commercial opportunities in excess of 100,000 square feet. In terms of market potential the one-minute drive time has been applied to respect the community's desire to have Kennedy Street service the immediate neighborhoods.

The corridor already functions as a neighborhood center with a pharmacy, small grocery stores, eating and drinking establishments, and a range of services. At the same time, when community members were asked early in the planning process to describe Kennedy Street's retail future, many responded by calling for a food shop where they might buy fresh produce. Thus, one obvious

**EXPENDITURE POTENTIAL BY STORE TYPE HOUSEHOLDS WITHIN
1-MINUTE & 5-MINUTE DRIVE TIME**

Store Type	1-Minute Drive Time		5-Minute Drive Time	
	Expenditure Potential	Potential Square Feet	Expenditure Potential	Potential Square Feet
Food	\$39,575,000	158,300	\$86,421,000	345,700
Pharmacy/Health	\$22,171,000	88,700	\$53,390,000	213,600
Shoppers Goods	\$90,852,000	363,400	\$215,889,000	863,600
Take-Out Food	\$13,850,000	55,400	\$35,259,000	145,000
Full-Service Restaurant	\$14,781,000	59,100	\$34,713,000	138,900

Source: Claritas, Inc.

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opportunity to bolster the existing mix is to provide retail more oriented to the urban lifestyle. Additional retailers might include a small fresh food market, a coffee shop, a newspaper/news store, a small hardware store, and gift shops.

As noted earlier, the planning team's market analysis estimates that there are approximately 50,000 to 60,000 square feet of retail and services on Kennedy Street today. As the nearby chart indicates, Kennedy Street can in fact support up to 100,000 square feet of retail and services, or an additional 40,000 to 50,000 square feet, that could accommodate the unmet demand for food, shoppers' goods, and full-service restaurants.

The market potential within a one-minute drive

time represents an immediate market opportunity. There is a longer term opportunity to penetrate the massive retail market that exists within a five-minute drive time of Kennedy Street, if desired by the community. This could be accomplished by implementing a niche retail strategy for Kennedy Street, focused on home furnishings, arts, ethnic clothing stores, etc.

SUPPORTABLE RETAIL HOUSEHOLDS WITHIN 1-MINUTE DRIVE TIME

Store Type	1-Minute Drive Time	Capture	Square Feet
	Expenditure Potential		
Food (e.g., grocery)	\$39,575,000	15%	24,700
Pharmacy/Health	\$22,171,000	20%	17,400
Shoppers Goods (e.g., hardware)	\$90,852,000	3%	11,500
Take-Out Food	\$13,850,000	25%	13,600
Full-Service Restaurant	\$14,718,000	15%	7,000
Total Square Feet			74,200
Services at 30% of Total			24,400
TOTAL			98,600
		Rounded	100,000
Less Existing Retail/Services			50-60,000
Potential Net New Retail/Services			40-50,000

Source: Claritas, Inc.